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FIRSTLINE SCHOOLS, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 01 2012**

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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FirstLine Schools, Inc.

We have audited the accompanying statement of financial position of **FirstLine Schools, Inc. (FirstLine)** as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **FirstLine's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of **FirstLine** referred to above present fairly, in all material respects, the financial position of **FirstLine** as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
FirstLine Schools, Inc.
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In accordance with the Government Auditing Standards, we have also issued our report dated December 12, 2011 on our consideration of FirstLine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of FirstLine taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Also, the accompanying combining schedules are presented for purposes of additional analysis and are not part of the basic financial statements of FirstLine. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2011



FIRSTLINE SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Cash and cash equivalents	\$ 982,140
Cash - restricted	55,905
Grants receivable (NOTE 8)	1,754,465
Pledges receivable	20,000
Other receivables	287,416
Prepaid expenses	101,835
Other assets	45,277
Property and equipment, net (NOTE 2)	<u>1,014,022</u>

TOTAL ASSETS

\$ 4,261,060

LIABILITIES AND NET ASSETS

Liabilities:

Bank overdraft	\$ 7,328
Accounts payable	850,675
Accrued liabilities	229,083
Loan payable (NOTE 11)	225,000
Funds held on behalf of others	<u>55,905</u>

TOTAL LIABILITIES

1,367,991

Net Assets:

Unrestricted	1,943,674
Temporarily restricted	<u>949,395</u>

TOTAL NET ASSETS

2,893,069

**TOTAL LIABILITIES AND
NET ASSETS**

\$ 4,261,060

The accompanying notes are an integral part of these financial statements.

FIRSTLINE SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Local sources:			
Minimum Foundation Program	\$ 4,883,435	\$ -	\$ 4,883,435
Grants	1,410,324	-	1,410,324
Contributions-unrestricted	137,853	-	137,853
Contributions-temporarily restricted	-	588,126	588,126
Interest earnings	6,006	-	6,006
Charges for food services	19,893	-	19,893
Fundraising activities	78,218	-	78,218
Management fee	415,608	-	415,608
Other	206,870	-	206,870
Total local sources	<u>7,158,207</u>	<u>588,126</u>	<u>7,746,333</u>
State sources:			
Minimum Foundation Program	4,910,943	-	4,910,943
Grants	26,581	-	26,581
Total state sources	<u>4,937,524</u>	<u>-</u>	<u>4,937,524</u>
Federal grants	<u>3,736,798</u>	<u>-</u>	<u>3,736,798</u>
Net assets released from restrictions (NOTE 7)	<u>554,646</u>	<u>(554,646)</u>	<u>-</u>
Total revenues	<u>16,387,175</u>	<u>33,480</u>	<u>16,420,655</u>
EXPENSES			
Program Services:			
Instruction programs	7,603,613	-	7,603,613
Edible School Yard	51,667	-	51,667
Support Services:			
Pupil support services	571,608	-	571,608
Instructional staff services	167,766	-	167,766
School administration	2,214,183	-	2,214,183
Business services	2,683,820	-	2,683,820
Operations and maintenance	1,113,293	-	1,113,293
Student transportation services	1,104,844	-	1,104,844
Central services	238,375	-	238,375
Food services operations	771,685	-	771,685
Depreciation	212,335	-	212,335
Fundraising activities	46,934	-	46,934
Total expenses	<u>16,780,123</u>	<u>-</u>	<u>16,780,123</u>
CHANGES IN NET ASSETS	<u>(392,948)</u>	<u>33,480</u>	<u>(359,468)</u>
NET ASSETS - JULY 1, 2010	<u>2,336,622</u>	<u>915,915</u>	<u>3,252,537</u>
NET ASSETS - JUNE 30, 2011	<u>\$ 1,943,674</u>	<u>\$ 949,395</u>	<u>\$ 2,893,069</u>

The accompanying notes are an integral part of these financial statements.

FIRSTLINE SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (359,468)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation expense	212,335
Changes in Assets and Liabilities:	
Increase in prepaid expense	(32,362)
Increase in grants receivables	(1,177,141)
Decrease in pledges receivable	120,000
Increase in other receivables	(104,512)
Decrease in due from employees	32,246
Increase in other assets	(9,644)
Increase in bank overdraft	7,328
Increase in accounts payable	268,543
Decrease in accrued liabilities	(321,896)
Decrease in funds held on behalf of others	(31,849)
Decrease in deferred revenue	(141,192)
Net cash used in operating activities	<u>(1,537,612)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from investments	253,955
Purchases of property and equipment	(176,501)
Net cash provided by investing activities	<u>77,454</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loan	225,000
Net cash provided by financing activities	<u>225,000</u>
Decrease in cash and cash equivalents	(1,235,158)
Cash and cash equivalents, beginning of year	<u>2,273,203</u>
Cash and cash equivalents, end of year	<u>\$ 1,038,045</u>

The accompanying notes are an integral part of these financial statements.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES:**

General

FirstLine Schools, Inc. (FirstLine) is a non-profit organization that was formed in 1998 to serve as the chartering group for Arthur Ashe Charter School (Arthur Ashe) formerly known as New Orleans Charter Middle School (NOCMS). **FirstLine** has also been granted charters by the Louisiana Board of Elementary and Secondary Education (BESE) to operate Samuel J. Green Charter School (Green) beginning in the 2005-2006 school year. John Dibert Charter School (Dibert), beginning in the 2010-2011 school year and Joseph S. Clark Charter School (Clark), beginning 2011-2012 school year. The board of directors consists of individuals with experience in business and education that have an interest in public education.

The mission of **FirstLine** is to create and inspire great public schools in New Orleans. **FirstLine** directly operates open-admissions public schools by developing training programs for teachers and leaders in schools owned by **FirstLine** and across the City. **FirstLine** schools prepare students for higher education and fulfilling careers by:

- o Ensuring high achievement for all students;
- o Providing a rich variety of educational experiences to nurture students' social and emotional development, love of learning, and high aspirations; and
- o Developing staff skill in a supportive working environment that becomes progressively sustainable.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

General, Continued

In the 2010-2011 school year, Green, Arthur Ashe and Dibert served the following number of students:

Green	484
Arthur Ashe	323
Dibert	<u>398</u>
	<u>1,205</u>

Basis of Accounting

FirstLine's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment of FirstLine with a cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

Property and Equipment, Continued

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenses are made by **FirstLine**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less.

Income Taxes

FirstLine is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

FirstLine files as a tax-exempt organization. Should that status be challenged in the future, **FirstLine's** 2008, 2009 and 2010 tax years are open for examination by the IRS.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - **NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

Financial Statement Presentation

For the year ended June 30, 2011, FirstLine followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*, in the presentation of its financial statements. Under FASB ASC Section 958-205, FirstLine is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. In addition, FirstLine is required to present a statement of cash flows.

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of FirstLine.

Temporarily Restricted Net Assets - Contributions specifically authorized by donors to be used for a certain purpose or to benefit a specific period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by FirstLine. Generally, the donors of these assets permit FirstLine to use all or part of the income derived from the investment of these contributions.

At June 30, 2011, FirstLine has no permanently restricted net assets.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Minimum Foundation Program (MFP)

FirstLine which operates three (3) type 5 charter schools, received funding from BESE. The funding is based on estimated daily attendance of pupils at each school. The amount of funding received is adjusted during the school year based on the October 1st student count and the results of any audits performed.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and support services in the accompanying statement of activities.

Vacation Leave

Vacation for full-time staff is accrued on a monthly basis. Staff receives two (2) weeks annual vacation for the first five (5) years of employment. After five (5) years, staff receives three (3) weeks of vacation. After eleven (11) years, staff receives four (4) weeks of vacation. Vacation days do not accrue.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

Paid Leave

Employees earn ten (10) days paid leave per year to be used in the event of their own illness, a family illness, bereavement, or personal business. Such paid leave may be used for the purpose of visiting doctors, dentist or other recognized practitioners. Employees may also use paid leave for the above reasons when it relates to immediate family members only. Paid leave cannot be carried from one year to the next, and FirstLine will not pay the employee for unused leave upon termination.

NOTE 2 - PROPERTY AND EQUIPMENT:

The following is a summary of property and equipment at June 30, 2011:

Land	\$ 372,200
Building improvements	1,297,553
Equipment	<u>318,215</u>
Total property and equipment	1,987,968
Less: accumulated depreciation	<u>(973,946)</u>
Net property and equipment	<u><u>\$1,014,022</u></u>

For the year ended June 30, 2011, depreciation expense was \$212,335.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - RISK MANAGEMENT:

FirstLine is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **FirstLine** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

FirstLine maintains a noninterest bearing and interest bearing accounts at local banks. The Federal Deposit Insurance Corporation (FDIC) provides unlimited deposit insurance coverage on noninterest bearing transaction accounts, beginning December 31, 2010 through December 31, 2012. Interest bearing deposit accounts are insured by the FDIC for deposit amounts up to \$250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. At June 30, 2011, **FirstLine's** deposits were fully insured.

FirstLine also maintains U.S. Government backed cash equivalents.

NOTE 5 - CONTINGENCY:

FirstLine is a recipient of grants from local, state and federal funding agencies. The grants are governed by various local, state and federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **FirstLine** and are subject to audit and/or review by grantors. Any grant funds found to be not properly spent in accordance with the terms, conditions, and regulations of local, state and federal agencies may be subject to recapture.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - IN-KIND CONTRIBUTIONS:

FirstLine received rent-free use of school buildings from the Louisiana Recovery School District and also the use of furniture and equipment rent-free for Arthur Ashe, Samuel J. Green and John Dibert Charter Schools.

FirstLine also receives donated services from a number of unpaid volunteers assisting FirstLine with its programs, activities, and operations. An estimated value of these services cannot be reasonably determined as a result of the variety of services provided by and the varying qualifications of the volunteers. Because the criteria for recognition under FASB ASC Section 958-605 conditions for recognition have not been satisfied, these donated services are not recorded in the financial statements.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets in the amount of \$949,395 are available for the Edible School Yard Program at June 30, 2011.

For the year ended June 30, 2011, net assets were released from donor restrictions by incurring Edible School Yard Program expenses amounting to \$554,646.

NOTE 8 - GRANTS RECEIVABLE:

At June 30, 2011, grants receivable consisted of the following:

U.S. Department of Education

Title I, Part A	\$ 464,734
Title I, School Improvement Grant -1003(a)	185,733
Title II, Part A	7,661
Public Charter Schools Program	64,199
Education Jobs Fund	131,375
School Improvement Grants, Recovery Act	178,550
Investing in Innovation (i3) Fund	193,655
School Improvement Grants - 1003(g)	32,356
IDEA, Part B	<u>19,527</u>
	<u>1,277,790</u>

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - GRANTS RECEIVABLE, CONTINUED:

<u>U.S. Department of Agriculture</u>	
National School Lunch Program	\$ <u>218,512</u>
<u>State of Louisiana</u>	
Louisiana 8G	<u>11,339</u>
<u>Other</u>	
New Schools for New Orleans	211,000
New Orleans Outreach	25,824
GPOA Foundation	<u>10,000</u>
	<u>246,824</u>
Total	<u>\$1,754,465</u>

NOTE 9 - SUBSEQUENT EVENTS:

FirstLine is required to evaluate events or transactions that may occur after the Statement of Financial Position date for potential recognition or disclosure in the financial statements. **FirstLine** performed such an evaluation through December 12, 2011, the date which the financial statements were available to be issued.

On July 14, 2011, the Teachers' Retirement System of Louisiana (TRSL) wrote to **FirstLine** that it assessed **FirstLine** approximately \$600,000, plus interest, for unpaid contributions. This assessment was triggered by TRSL's belief that **FirstLine** had elected participation for Dibert Charter School employees in TRSL, as supported in the Dibert Charter School contract, dated May 17, 2010.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - SUBSEQUENT EVENTS, CONTINUED:

FirstLine asserts in discussions with TRSL it complies with the Social Security withholding requirements for all of its employees, sponsors a 403(b) qualified retirement plan and has not enrolled any employees in TRSL. TRSL has agreed to work with **FirstLine** to achieve resolution of the TRSL assessment. **FirstLine** and TRSL have prepared documents that, if approved by the court with jurisdiction over the issue, will amend the Dibert Charter School Charter agreement, retroactively, to eliminate any question regarding whether **FirstLine** elected participation in TRSL. Such a resolution would result in complete elimination of the contribution assessment **FirstLine** allegedly owes TRSL.

As of December 12, 2011, TRSL and **FirstLine** are seeking approval of the court documents from BESE which is a party to the Dibert Charter School Charter agreement. The parties expect BESE to approve the proposed documents in the near term. After which the parties will file the documents with the state court in Baton Rouge for final resolution of the issue.

NOTE 10 - BOARD COMPENSATION:

The Board of Directors of **FirstLine** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2011.

NOTE 11 - RELATED PARTY TRANSACTIONS:

During the 2011 fiscal year, a board member loaned funds to **FirstLine** in the amount of \$225,000. This loan was repaid in full subsequent to June 30, 2011. Also, this same board member was a board member of another non-profit organization that provided **FirstLine** with \$211,000 of grant funds for the year ended June 30, 2011.

SUPPLEMENTARY INFORMATION

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<i><u>Passed-Through: LA State Department of Education</u></i>		
IASA Title I, Part A	84.010	\$ 1,047,264
IASA Title I, Part A, School Improvement	84.010	185,733
IASA Title II, Part A	84.367	39,267
IDEA Part B	84.027	252,769
IDEA Preschool	84.173	2,440
Public Charter Schools Program	84.282	133,327
Hurricane Educator Assistance Program	84.938	37,606
Education Jobs Fund	84.410	192,057
School Improvement Grants (Section 1003(g) of the ESSEA)	84.377	355,329
School Improvement Grants, Recovery Act	84.388	571,674
Total LA State Department of Education		<u>2,817,466</u>
<i><u>Passed-Through: New Schools for New Orleans</u></i>		
Investing in Innovation (i3) Fund	84.411	<u>123,551</u>
Total New Schools for New Orleans		<u>123,551</u>
Total U.S. Department of Education		<u>2,941,017</u>
<u>U.S. Department of Agriculture</u>		
<i><u>Awards from a Pass-Through Entity</u></i>		
<i><u>Passed-Through: LA State Department of Education</u></i>		
National School Lunch Program	10.555	<u>795,781</u>
Total U.S. Department of Agriculture		<u>795,781</u>
Total Expenditures of Federal Awards		<u>\$ 3,736,798</u>

See independent auditors' report on supplementary information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF FINANCIAL POSITION
June 30, 2011

	Edible School Yard	FirstLine Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	John Dibert Charter School	Joseph S. Clark Charter School	Eliminations	Total
ASSETS								
Cash and cash equivalents	\$ 679,234	\$ 81,945	\$ 82,019	\$ 30,674	\$ 200	\$ 108,068	\$ -	\$ 982,140
Cash - restricted	-	55,905	-	-	-	-	-	55,905
Grants receivable	-	61,100	338,043	308,281	703,486	343,555	-	1,754,465
Pledges receivable	20,000	-	-	-	-	-	-	20,000
Other receivables	-	257,722	18,064	8,297	3,333	-	-	287,416
Due from other programs	-	253,711	875,403	528,508	62,871	-	(1,720,493)	-
Prepaid expenses	2,218	11,059	31,166	39,880	11,987	5,525	-	101,835
Other assets	100	-	11,473	24,060	9,644	-	-	45,277
Property and equipment, net	320,532	112,149	374,561	161,677	45,103	-	-	1,014,022
TOTAL ASSETS	\$ 1,022,084	\$ 833,591	\$ 1,730,729	\$ 1,101,377	\$ 836,624	\$ 457,148	\$ (1,720,493)	\$ 4,261,060
LIABILITIES AND NET ASSETS								
Liabilities:								
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 7,328	\$ -	\$ -	\$ 7,328
Accounts payable	1,588	126,596	223,131	270,318	147,140	81,902	-	850,675
Accrued liabilities	7,686	35,045	54,304	56,035	59,300	16,713	-	229,083
Loan payable	-	225,000	-	-	-	-	-	225,000
Funds held on behalf of others	-	55,905	-	-	-	-	-	55,905
Due to other programs	-	417,558	9,439	568,331	471,659	253,506	(1,720,493)	-
TOTAL LIABILITIES	9,274	860,104	286,874	894,684	685,427	352,121	(1,720,493)	1,367,991
Net Assets:								
Unrestricted	63,415	(26,513)	1,443,855	206,693	151,197	105,027	-	1,943,674
Temporarily restricted	949,395	-	-	-	-	-	-	949,395
TOTAL NET ASSETS	1,012,810	(26,513)	1,443,855	206,693	151,197	105,027	-	2,893,069
TOTAL LIABILITIES AND NET ASSETS	\$ 1,022,084	\$ 833,591	\$ 1,730,729	\$ 1,101,377	\$ 836,624	\$ 457,148	\$ (1,720,493)	\$ 4,261,060

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Edible School Yard	FirstLine Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	John Dibert Charter School	Joseph S. Clark Charter School	Eliminations	Total
REVENUES								
Local sources:								
Minimum Foundation Program	\$ -	\$ -	\$ 1,288,712	\$ 1,962,219	\$ 1,632,504	\$ -	\$ -	\$ 4,883,435
Administrative fee revenue	-	1,417,252	-	-	-	-	(1,417,252)	-
Grants	-	501,771	54,617	223,175	169,761	461,000	-	1,410,324
Contributions-unrestricted	-	-	62,853	-	75,000	-	-	137,853
Contributions-temporarily restricted	-	-	-	-	-	-	-	588,126
Interest earnings	588,126	-	4,248	1,199	106	-	-	6,006
Charges for food services	453	-	1,864	14,084	3,945	-	-	19,893
Fundraising activities	78,218	-	-	-	-	-	-	78,218
Management fee	-	415,608	-	-	-	-	-	415,608
Other	10,086	62,867	36,631	87,403	9,883	-	-	206,870
Total local sources	676,883	2,397,498	1,448,925	2,288,080	1,891,199	461,000	(1,417,252)	7,746,333
State sources:								
Minimum Foundation Program	-	-	1,473,226	1,920,020	1,517,697	-	-	4,910,943
Grants	-	-	8,986	17,595	-	-	-	26,581
Total state sources	-	-	1,482,212	1,937,615	1,517,697	-	-	4,937,524
Federal grants	-	61,100	936,775	1,263,906	1,412,566	62,451	-	3,736,798
Total revenues	676,883	2,458,598	3,867,912	5,489,601	4,821,462	523,451	(1,417,252)	16,420,655
EXPENSES								
Program Services:								
Instruction Programs	-	-	2,380,542	2,766,194	2,380,051	76,826	-	7,603,613
Edible School Yard	51,667	-	-	-	-	-	-	51,667
Support Services:								
Pupil support services	-	14,496	135,634	264,585	156,893	-	-	571,608
Instructional staff services	-	157,371	54	1,169	4,063	5,109	-	167,766
School administration	391,660	2,812	456,909	622,091	507,191	233,520	-	2,214,183
Business services	1,022	2,163,358	122,959	167,897	131,637	96,947	-	2,683,820
Operations and maintenance	-	13,159	314,685	400,211	379,336	5,902	-	1,113,293
Student transportation services	-	-	385,473	366,959	352,292	120	-	1,104,844
Central services	-	238,245	540,790	457,416	379,176	-	(1,377,252)	238,375
Food services operations	-	-	223,606	325,983	262,096	-	(40,000)	771,685
Depreciation	110,297	6,968	2,180	78,609	14,281	-	-	212,335
Fundraising activities	25,342	-	-	-	21,592	-	-	46,934
Total expenses	579,988	2,596,409	4,562,832	5,451,114	4,588,608	418,424	(1,417,252)	16,780,123
CHANGES IN NET ASSETS	96,895	(137,811)	(694,920)	38,487	232,854	105,027	-	(359,468)
NET ASSETS - JULY 1, 2010	915,915	111,298	2,138,775	168,206	(81,657)	-	-	3,252,537
NET ASSETS - JUNE 30, 2011	\$ 1,012,810	\$ (26,513)	\$ 1,443,855	\$ 206,693	\$ 151,197	\$ 105,027	\$ -	\$ 2,893,069

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Edible School Yard	FirstLine Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	John Dibert Charter School	Joseph S. Clark Charter School	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Changes in net assets							
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:							
Depreciation expense	\$ 96,895	\$ (137,811)	\$ (694,920)	\$ 38,487	\$ 232,854	\$ 105,027	\$ (359,468)
	110,297	6,968	2,180	78,609	14,281	-	212,335
Changes in Assets and Liabilities:							
Increase in prepaid expense	(2,218)	(5,393)	(8,443)	(3,956)	(6,827)	(5,525)	(32,362)
Increase in grants receivables	-	(61,100)	(244,506)	(104,099)	(423,881)	(343,555)	(1,177,141)
Decrease in pledges receivable	20,000	100,000	-	-	-	-	120,000
(Increase) decrease in other receivables	4,655	(257,722)	54,423	97,465	(3,333)	-	(104,512)
(Increase) decrease in due from other programs	959	(45,875)	(519,710)	(524,112)	(41,725)	-	(1,130,463)
Decrease in due from employees	4,173	17,871	1,869	8,333	-	-	32,246
Increase in other assets	-	-	-	-	(9,644)	-	(9,644)
Increase in bank overdraft	-	-	-	-	7,328	-	7,328
Increase (decrease) in accounts payable	(4,245)	74,065	68,307	60,955	(12,441)	81,902	268,543
Increase (decrease) in accrued liabilities	(923)	(14,901)	(119,188)	(258,707)	55,110	16,713	(321,896)
Decrease in funds held on behalf of others	-	(31,849)	-	-	-	-	(31,849)
Increase (decrease) in due to other programs	(2,090)	350,404	9,439	257,371	261,833	253,506	1,130,463
Decrease in deferred revenue	-	(20,000)	-	-	(121,192)	-	(141,192)
Net cash provided by (used in) operating activities	227,503	(25,343)	(1,450,549)	(349,654)	(47,637)	108,068	(1,537,612)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from investments	-	-	253,955	-	-	-	253,955
Purchases of property and equipment	-	(101,308)	-	(15,809)	(59,384)	-	(176,501)
Net cash provided by (used in) investing activities	-	(101,308)	253,955	(15,809)	(59,384)	-	77,454
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from loan	-	225,000	-	-	-	-	225,000
Net cash provided by (used in) financing activities	-	225,000	-	-	-	-	225,000
Increase (decrease) in cash and cash equivalents	227,503	98,349	(1,196,594)	(365,463)	(107,021)	108,068	(1,235,158)
Cash and cash equivalents, beginning of year	451,731	39,501	1,278,613	396,137	107,221	-	2,273,203
Cash and cash equivalents, end of year	\$ 679,234	\$ 137,850	\$ 82,019	\$ 30,674	\$ 200	\$ 108,068	\$ 1,038,045

See Independent Auditors' Report on Supplementary Information.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
FirstLine Schools, Inc.

We have audited the financial statements of **FirstLine Schools, Inc. (FirstLine)**, (a not-for-profit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **FirstLine's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **FirstLine's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **FirstLine's** internal control over financial reporting.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

Internal Control Over Financial Reporting, Continued

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of FirstLine's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FirstLine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

We noted a certain matter that we reported to management of FirstLine in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of management, FirstLine's Board of Directors, the Louisiana Recovery School District, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

December 12, 2011



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
FirstLine Schools, Inc.

Compliance

We have audited the compliance of **FirstLine Schools, Inc. (FirstLine)** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of **FirstLine's** major federal programs for the year ended June 30, 2011. **FirstLine's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of **FirstLine's** management. Our responsibility is to express an opinion on **FirstLine's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

(CONTINUED)

types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about FirstLine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of FirstLine's compliance with those requirements.

In our opinion, FirstLine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-01 and 11-02.

Internal Control Over Compliance

The management of FirstLine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered FirstLine's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FirstLine's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

(CONTINUED)

Internal Control Over Compliance, Continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-01 and 11-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weaknesses in internal control over compliance, yet important enough to merit attention by those charged with governance.

FirstLine's responses to the findings identified in our audit are described in a separate corrective action plan.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

(CONTINUED)

This report is intended solely for the information and use of management, FirstLine's Board of Directors, the Louisiana Recovery School District, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

December 12, 2011

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

- A. The type of report issued on the financial statements: **Unqualified Opinion.**
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **No.** Material weaknesses: **No.**
- C. Noncompliance which is material to the financial statements: **No.**
- D. Significant deficiencies in internal control over major programs: **Yes** Material weaknesses: **No.**
- E. The type of report issued on compliance for major programs: **Unqualified.**
- F. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes.**
- G. Major programs:
- | | |
|--|-------------------|
| United States Department of Education: | |
| IASA Title I, Part A | - CFDA No. 84.010 |
| School Improvement Grants | - CFDA No. 84.377 |
| United States Department of Agriculture: | |
| National School Lunch Program | - CFDA No. 10.555 |
- H. Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
- I. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No.**
- J. A management letter issued: **Yes.**

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

**SECTION II - FINDINGS RELATED TO THE FINANCIAL
STATEMENT REPORTED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

No matters reported.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS

11-01 - Verification of Free and Reduced Price Applications
School Lunch Program

Criteria

Verification requirement - 7CFR 245.6(a) requires the local education agency, by November 15th of each school year, to have selected and verified a sample of approved free and reduced price applications in accordance with the conditions and procedures in this section.

Condition

We noted the following based on our testing of verification requirements:

Arthur Ashe Charter School

No evidence was provided to support that FirstLine verified the required sample of free and reduced price applications and made the appropriate changes to eligibility status.

John Dibert Charter School

Two (2) tested verifications should have resulted in "Paid" statuses in the student information reporting system because the households being verified did not respond to FirstLine's request to support the household's original eligibility status.

Samuel L. Green

The student information reporting system was not correctly updated with the results of two (2) household eligibility changes.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
(CONTINUED)

11-01 - Verification of Free and Reduced Price Applications, Continued
School Lunch Program

Questioned Costs

Can not determine.

Effect

The household eligibility status is inappropriately verified or reported in the student information reporting system.

Cause

FirstLine did not adhere to verification requirements.

Recommendation

We recommend that the management of FirstLine take the necessary steps to ensure that procedures are designed and implemented for the compliance of verification requirements.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
(CONTINUED)

11-02 - Highly Qualified Teacher Requirement
IASA Title I, Part A

Condition

We noted during our single audit testwork that a teacher was paid with Title I funds during the period the teacher lost its highly qualified status.

Questioned Costs

\$22,360 (\$18,386 in wages and \$3,974 in benefits).

Effect

FirstLine did not comply with federal regulations.

Cause

Inadequate control procedures to ensure that **FirstLine** only claims reimbursement for grant expenses of teachers who meet the required highly qualified criteria.

Recommendation

We recommend that **FirstLine** improve its current procedures to ensure that only the salaries and related benefits of highly qualified teachers are claimed for Title I grant expense reimbursements.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS

10-01 - Public Bid Law
All Federal Programs

We recommended that FirstLine establish policies and procedures to properly advertise public works contracts, obtain bids, select contractors, and retain documentation in accordance with R.S. 38:2211 through 38:2259 for all future erection, construction, alteration, improvement, or repair of a public facility or immovable property.

Current Status

Resolved.

10-02 - Cash Accounts

We recommended that FirstLine implement policies and procedures that provide that all cash accounts are reconciled timely and bank reconciliations and related journal entries are documented as being reviewed, approved and agreed with accounting records by an appropriate member of management.

Current Status

Resolved.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS
CONTINUED

10-03 - Month End and Year End Financial Statements

We recommended that the Board of Directors, through the Finance Committee, require management to remit to the Finance Committee reliable accrual basis financial statements within thirty (30) days following the month end. The financial statements should incorporate the approved budget with a comparison of actual to date and variance. The management of **FirstLine** should focus its efforts to correct the actions that have caused interim financial reports to be unreliable and immediately implement the necessary internal controls that ensure reliable financial reporting.

Current Status

Resolved.

10-04 - Employee Advancements

We recommended **FirstLine** design and implement procedures for the immediate collection of all employee loans due to **FirstLine** and to establish a policy that would prohibit employee loans or payroll advances.

Current Status

Resolved.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS

10-05 - Special Tests and Provisions
Title I Cluster CFDA 84.010 and 84.389

We recommended that FirstLine take the necessary action to provide and retain supporting documentation that core elements of its schoolwide program are adequately developed.

Current Status

Resolved.

10-06 - Allowable Costs
All Federal Programs

We recommended that FirstLine establish policies and procedures to support salaries and wages, as required in 2 CFR Section 230 Appendix B 8.m.

Current Status

Resolved.

SECTION III - MANAGEMENT LETTER

See status of prior year comments reported to management in a separate letter, dated December 12, 2011.

FIRSTLINE SCHOOLS, INC.

EXIT CONFERENCE

The audit report was discussed during the course of the audit and at an exit conference held with the management of **FirstLine**. The individuals who participated in those discussions were as follows:

FIRSTLINE SCHOOLS, INC.

Mr. Jay Altman	--	Chief Executive Officer
Mr. Adrian Morgan	--	Chief Operating Officer
Mr. Shailendra Baghel	--	Chief Financial Officer
Mr. Brett G. Hunt	--	Director of Finance

**BRUNO & TERVALON LLP
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Mr. Larry Jones, CPA	--	Manager
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FIRSTLINE SCHOOLS, INC.
INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2011

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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
FirstLine Schools, Inc.

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of **FirstLine Schools, Inc. (FirstLine)** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). Management of **FirstLine** is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 to 5 either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management, Board of Directors, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2011

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS

Our procedures and findings relate to the accompanying schedules and are as follows:

***General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (SCHEDULE 1)***

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

No differences noted.

Education Levels of Public School Staff (SCHEDULE 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total number of full-time classroom teachers per this schedule and to FirstLine's supporting payroll records as of October 1, 2010.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Education Levels of Public School Staff (SCHEDULE 2), Continued

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total of principals and assistant principals per this schedule.

No differences noted.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2010 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

No differences noted.

Number and Type of Public Schools (SCHEDULE 3)

5. We obtained a list of schools by type as reported on the schedule. Also, we compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers (SCHEDULE 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2010 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

No differences noted.

Public School Staff Data (SCHEDULE 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

No differences noted.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

No differences noted.

Class Size Characteristics (SCHEDULE 6)

9. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a random sample of 10 classes to the October 1, 2010 roll books for those classes and determined if the class was properly classified on the schedule.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

***Louisiana Educational Assessment Program (LEAP) for
the 21st Century (SCHEDULE 7)***

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **FirstLine**.

No differences noted.

Graduation Exit Exam for the 21st Century (SCHEDULE 8)

11. We did not obtain test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **FirstLine**.

This procedure was not applicable because **FirstLine** operates three charter schools, which includes grades Kindergarten to 8th.

The iLEAP Tests (SCHEDULE 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **FirstLine**.

No differences noted.

FIRSTLINE SCHOOLS, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA)

SCHEDULE 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

SCHEDULE 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 4 - Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

FIRSTLINE SCHOOLS, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA), CONTINUED

SCHEDULE 5 - Public School Staff Data

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

**SCHEDULE 7 - Louisiana Educational Assessment Program (LEAP)
for the 21st Century**

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

SCHEDULE 8 - The Graduation Exit Exam for the 21st Century

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

FIRSTLINE SCHOOLS, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA), CONTINUED

SCHEDULE 9 - The iLEAP Tests

This schedule represents student performance testing data and includes statewide and district summary scores for grades 3, 5, 6, and 7 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory.

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2011**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$	4,387,687	
Other Instructional Staff Activities		961,979	
Employee Benefits		1,133,111	
Purchased Professional and Technical Services		488,431	
Instructional Materials and Supplies		453,843	
Instructional Equipment		54,883	
Total Teacher and Student Interaction Activities	\$		7,479,934

Other Instructional Activities 123,679

Pupil Support Activities 571,608
Less: Equipment for Pupil Support Activities -
Net Pupil Support Activities 571,608

Instructional Staff Services 167,766
Less: Equipment for Instructional Staff Services -
Net Instructional Staff Services 167,766

School Administration 2,214,183
Less: Equipment for School Administration -
Net School Administration 2,214,183

Total General Fund Instructional Expenditures \$ 10,557,170

Total General Fund Equipment Expenditures \$ -

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$	-
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Sales and Use Taxes		-
Total Local Taxation Revenue	\$	-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property		-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property	\$	-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$	-
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes	\$	-

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

See accompanying independent accountants' report on applying agreed-upon procedures.

**Education Levels of Public School Staff
As of October 1, 2010**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	0	0%	0	0%	0	0%
Bachelor's Degree	48	80%	15	83%	1	17%	2	100%
Master's Degree	11	18%	3	17%	4	67%	0	0%
Master's Degree +30	0	0%	0	0%	1	17%	0	0%
Specialist in Education	0	0%	0	0%	0	0%	0	0%
Ph.D. or Ed.D.	1	2%	0	0%	0	0%	0	0%
Total	60	100%	18	100%	6	100%	2	100%

See accompanying independent accountants' report on applying agreed-upon procedures.

FIRST LINE SCHOOLS, INC.**Schedule 3****Number and Type of Public Schools
For the Year Ended June 30, 2011**

Type	Number
Elementary:	3
Middle/Jr. High	0
Secondary	0
Combination	0
Total	3

See accompanying independent accountants' report on applying agreed-upon procedures.

**Experience of Public Principals and Full-time Classroom Teachers
As of October 1, 2010**

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ yrs.	Total
Assistant Principals	0	0	2	3	0	0	0	5
Principals	0	0	2	0	1	0	0	3
Classroom Teachers	13	33	20	5	4	1	2	78
Total	13	33	24	8	5	1	2	86

See accompanying independent accountants' report on applying agreed-upon procedures.

**Public School Staff Data
For the Year Ended June 30, 2011**

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Excluding Extra Compensation	46,701.02	46,701.02
Average Classroom Teachers' Salary Including Extra Compensation	46,701.02	46,701.02
Number of Teachers' Full-time Equivalents (FTEs) used in Computation of Average Salaries	86	86

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

See accompanying independent accountants' report on applying agreed-upon procedures.

Class Size Characteristics
As of October 1, 2010

FirstLine Schools								
School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	16%	42	40%	104	28%	70	0%	0
Elementary Activity Classes	3%	8	7%	19	6%	16	0%	0
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See accompanying independent accountants' report on applying agreed-upon procedures.

Louisiana Educational Assessment Program (LEAP) for the 21st Century
For the Year Ended June 30, 2011

District Achievement Level Results	English Language Arts						Mathematics					
	2011		2010		2009		2011		2010		2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students												
Grade 4												
Advanced	3	3.0%	0	0.0%	0	0.0%	4	2.4%	2	2.3%	1	1.3%
Proficient	16	9.7%	6	7.0%	7	9.3%	12	7.2%	10	11.6%	2	2.7%
Basic	69	41.8%	37	43.0%	31	41.3%	85	51.2%	38	44.2%	22	29.3%
Approaching Basic	52	31.5%	25	29.1%	23	30.7%	37	22.3%	22	25.6%	23	30.7%
Unsatisfactory	23	13.9%	18	20.9%	14	18.7%	28	16.9%	14	16.3%	27	36.0%
Total	165	100.0%	86	100.0%	75	100.0%	166	100.0%	86	100.0%	75	100.0%

District Achievement Level Results	Science						Social Studies					
	2011		2010		2009		2011		2010		2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students												
Grade 4												
Advanced	1	0.6%	0	0.0%	0	0.0%	1	0.6%	0	0.0%	0	0.0%
Proficient	9	5.4%	2	2.3%	4	5.3%	10	6.0%	2	2.3%	3	4.0%
Basic	64	38.6%	34	39.5%	29	38.7%	73	45.2%	30	34.9%	24	32.0%
Approaching Basic	65	39.2%	39	45.3%	31	41.3%	45	27.1%	42	48.8%	26	34.7%
Unsatisfactory	27	16.3%	11	12.8%	11	14.7%	35	21.1%	12	14.0%	22	29.3%
Total	166	100.0%	86	100.0%	75	100.0%	166	100.0%	86	100.0%	75	100.0%

District Achievement Level Results	English Language Arts						Mathematics					
	2011		2010		2009		2011		2010		2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students												
Grade 8												
Advanced	2	1.9%	1	1.3%	0	0.0%	0	0.0%	1	1.2%	2	4.3%
Proficient	12	11.5%	5	6.3%	2	4.3%	3	2.9%	2	2.5%	1	2.1%
Basic	40	38.5%	37	46.3%	24	31.1%	34	31.9%	38	46.9%	31	66.0%
Approaching Basic	40	38.5%	32	40.0%	18	23.8%	25	24.0%	31	38.3%	8	17.0%
Unsatisfactory	10	9.6%	5	6.3%	3	6.4%	22	21.2%	9	11.1%	5	10.6%
Total	104	100.0%	80	100.0%	47	100.0%	104	100.0%	81	100.0%	47	100.0%

District Achievement Level Results	Science						Social Studies					
	2011		2010		2009		2011		2010		2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students												
Grade 8												
Advanced	0	0.0%	0	0.0%	1	2.1%	0	0.0%	0	0.0%	0	0.0%
Proficient	7	6.7%	4	4.9%	3	6.4%	4	3.8%	3	3.7%	0	0.0%
Basic	28	26.7%	24	29.6%	18	38.3%	48	45.7%	32	39.5%	17	36.2%
Approaching Basic	43	41.0%	38	46.9%	19	40.4%	34	32.4%	27	33.3%	16	34.0%
Unsatisfactory	27	25.7%	15	18.5%	6	12.8%	19	18.1%	19	23.5%	14	29.8%
Total	105	100.0%	81	100.0%	47	100.0%	105	100.0%	81	100.0%	47	100.0%

See accompanying independent accountants' report on applying agreed-upon procedures.

The Graduate Exit Exam for the 21st Century
For the Year Ended June 30, 2011

District Achievement Level Results	English Language Arts						Mathematics					
	2011		2010		2009		2011		2010		2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students												
Grade 10												
Advanced												
Mastery												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

District Achievement Level Results	Science						Social Studies					
	2011		2010		2009		2011		2010		2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students												
Grade 11												
Advanced												
Mastery												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

See accompanying independent accountants' report on applying agreed-upon procedures.

The *ILEAP* Tests

For the Year Ended June 30, 2011

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	7	4.5%	2	1.3%	2	1.3%	1	0.6%
Mastery	20	12.8%	18	11.5%	15	9.6%	12	7.7%
Basic	47	30.1%	50	32.1%	43	27.6%	44	28.2%
Approaching Basic	38	24.4%	34	21.8%	61	39.1%	45	28.8%
Unsatisfactory	44	28.2%	52	33.3%	35	22.4%	54	34.6%
Total	156	100.0%	156	100.0%	156	100.0%	156	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	2	1.9%	2	1.9%	0	0.0%	2	1.9%
Mastery	11	10.3%	2	1.9%	6	5.6%	8	7.5%
Basic	41	38.3%	47	44.3%	34	31.8%	47	43.9%
Approaching Basic	22	20.6%	27	25.5%	47	43.9%	28	26.2%
Unsatisfactory	31	29.0%	28	26.4%	20	18.7%	22	20.6%
Total	107	100.0%	106	100.0%	107	100.0%	107	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	1	0.8%	3	2.5%	0	0.0%	2	1.7%
Mastery	9	7.5%	5	4.1%	7	5.8%	5	4.2%
Basic	50	41.7%	53	43.8%	51	42.5%	48	40.0%
Approaching Basic	38	31.7%	25	20.7%	45	37.5%	33	27.5%
Unsatisfactory	22	18.3%	35	28.9%	17	14.2%	32	26.7%
Total	120	100.0%	121	100.0%	120	100.0%	120	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0.0%	2	2.0%	1	1.0%	0	0.0%
Mastery	5	5.0%	5	5.0%	10	9.9%	9	8.9%
Basic	52	51.5%	65	64.4%	41	40.6%	53	52.5%
Approaching Basic	38	37.6%	17	16.8%	40	39.6%	26	25.7%
Unsatisfactory	6	5.9%	12	11.9%	9	8.9%	13	12.9%
Total	101	100.0%	101	100.0%	101	100.0%	101	100.0%

Note: Due to rounding, certain percentage totals may not equal 100%.

See accompanying independent accountants' report on applying agreed-upon procedures.

The *ILEAP* Tests

For the Year Ended June 30, 2011

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	5	7.4%	5	7.4%	0	0.0%	0	0.0%
Mastery	11	16.2%	8	11.8%	7	10.3%	11	16.2%
Basic	24	35.3%	29	42.6%	25	36.8%	20	29.4%
Approaching Basic	16	23.5%	16	23.5%	22	32.4%	24	35.3%
Unsatisfactory	12	17.6%	10	14.7%	14	20.6%	13	19.1%
Total	68	100.0%	68	100.0%	68	100.0%	68	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0.0%	1	1.4%	0	0.0%	1	1.4%
Mastery	5	7.2%	4	5.8%	4	5.8%	3	4.3%
Basic	23	33.3%	30	43.5%	14	20.3%	29	42.0%
Approaching Basic	26	37.7%	16	23.2%	42	60.9%	20	29.0%
Unsatisfactory	15	21.7%	18	26.1%	9	13.0%	16	23.2%
Total	69	100.0%	69	100.0%	69	100.0%	69	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0.0%	1	1.5%	0	0.0%	3	4.4%
Mastery	3	4.4%	4	5.9%	2	2.9%	0	0.0%
Basic	35	51.5%	36	52.9%	28	41.2%	21	30.9%
Approaching Basic	21	30.9%	18	26.5%	31	45.6%	26	38.2%
Unsatisfactory	9	13.2%	9	13.2%	7	10.3%	18	26.5%
Total	68	100.0%	68	100.0%	68	100.0%	68	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0.0%	0	0.0%	1	1.4%	0	0.0%
Mastery	3	4.2%	2	2.8%	3	4.2%	8	11.3%
Basic	28	39.4%	43	60.6%	21	29.6%	31	43.7%
Approaching Basic	26	36.6%	10	14.1%	29	40.8%	19	26.8%
Unsatisfactory	14	19.7%	16	22.5%	17	23.9%	13	18.3%
Total	71	100.0%	71	100.0%	71	100.0%	71	100.0%

Note: Due to rounding, certain percentage totals may not equal 100%.

See accompanying independent accountants' report on applying agreed-upon procedures.

The *ILEAP* Tests

For the Year Ended June 30, 2011

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	0	0.0%	0	0.0%	0	0.0%	1	2.1%
Mastery	5	10.6%	1	2.1%	2	4.3%	4	8.5%
Basic	13	27.7%	16	34.0%	9	19.1%	19	40.4%
Approaching Basic	14	29.8%	10	21.3%	23	48.9%	11	23.4%
Unsatisfactory	15	31.9%	20	42.6%	13	27.7%	12	25.5%
Total	47	100.0%	47	100.0%	47	100.0%	47	99.9%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0.0%	1	1.8%	0	0.0%	0	0.0%
Mastery	0	0.0%	2	3.6%	1	1.8%	4	7.3%
Basic	21	38.2%	23	41.8%	17	30.9%	19	34.5%
Approaching Basic	23	41.8%	13	23.6%	30	54.5%	19	34.5%
Unsatisfactory	11	20.0%	16	29.1%	7	12.7%	13	23.6%
Total	55	100.0%	55	99.9%	55	99.9%	55	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0.0%	1	1.8%	1	1.8%	1	1.8%
Mastery	3	5.4%	2	3.6%	2	3.6%	2	3.6%
Basic	20	35.7%	24	42.9%	18	32.1%	15	26.8%
Approaching Basic	17	30.4%	11	19.6%	27	48.2%	19	33.9%
Unsatisfactory	16	28.6%	18	32.1%	8	14.3%	19	33.9%
Total	56	100.1%	56	100.0%	56	100.0%	56	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	1	1.1%	3	3.4%	1	1.2%	0	0.0%
Mastery	5	5.7%	2	2.3%	6	7.0%	4	4.7%
Basic	25	28.7%	33	37.9%	24	27.9%	48	55.8%
Approaching Basic	33	37.9%	24	27.6%	39	45.3%	18	20.9%
Unsatisfactory	23	26.4%	25	28.7%	16	18.6%	16	18.6%
Total	87	99.8%	87	99.9%	86	100.0%	86	100.0%

Note: Due to rounding, certain percentage totals may not equal 100%.

See accompanying independent accountants' report on applying agreed-upon procedures.



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT

To the Board of Directors of
FirstLine Schools, Inc.

We have audited the financial statements of the **FirstLine Schools, Inc. (FirstLine)** for the year ended June 30, 2011 and have issued our report thereon dated December 12, 2011.

In planning and performing our audit of the financial statements of **FirstLine** as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered **FirstLine's** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **FirstLine's** internal control. Accordingly, we do not express an opinion on the effectiveness of **FirstLine's** internal control.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. Our comment and recommendation regarding this matter is outlined below. We previously reported on **FirstLine's** internal control in our report dated December 29, 2010. A separate report dated December 12, 2011, contains our report on significant deficiencies or material weaknesses in **FirstLine's** internal control. This letter does not affect our report dated December 12, 2011, on the financial statements of **FirstLine**.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and recommendation with various personnel of **FirstLine**, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of the matter and assist you in implementing the recommendation.

FIRSTLINE SCHOOLS, INC.
CURRENT YEAR COMMENT

11-01

Student Activity Accounts

FirstLine collects funds for various student activities (e.g. field trips, extra curricular activities, etc.). Although **FirstLine** has established a cash account, named student activity fund, to account for the cash balances of student activity transactions, **FirstLine** does not maintain a custodial liability account in **FirstLine's** accounting system to account for the balance of amounts due to students funds.

Recommendation

During the 2012 fiscal year, we noted that **FirstLine** is currently in the process of designing and implementing a comprehensive student activity policy and procedures guide. We recommend that **FirstLine** finalize adopting this written policy and procedures guide that will be effective for the 2012 fiscal year student activity transactions. By implementing this student activity policy and procedures guide, **FirstLine** will be in position to appropriately manage the receipts and disbursements of student activity funds and allow for the proper and accurate financial reporting of such transactions.

FIRSTLINE SCHOOLS, INC.
STATUS OF PRIOR YEAR COMMENTS

10 - 01 Decrease in Change in Net Assets

We recommended that minutes of the meetings of the Finance Committee reflect evidence of the Committee's and Board's awareness of any projected deficit or excess expenses in financial operations. We also recommended that at the point in the fiscal year a deficit is anticipated, the original budget be amended, accordingly, and presented to the Finance Committee for approval.

Current Status

Resolved.

10 - 02 Donor Contributions

We recommended FirstLine implement procedures to ensure all in-kind contributions are recorded completely and properly. We further recommend FirstLine adhere to all IRS reporting requirements relating to donations, including contributions received during special events.

Current Status

Resolved.

10 - 03 Payroll Imprest Account

We recommend that FirstLine use an imprest payroll account to prevent the payment of unrecorded payroll transactions

Current Status

Resolved.

FIRSTLINE SCHOOLS, INC.
STATUS OF PRIOR YEAR COMMENTS

10 - 04 Maintenance of Documents

We recommended that FirstLine reduce to writing any agreement which may have financial impact on the entity. A copy of these contracts, grant agreements and memorandums of understanding should be maintained in the business office in order to ensure compliance with the term and conditions of the agreements. We further recommended FirstLine evaluate all contracts derived from federal sources to determine relationship and maintain written documentation of the determination in the vendor file or grant file.

Current Status

Resolved.

10 - 05 Credit Card and Travel Policies

FirstLine should adopt a comprehensive credit card and travel policy and review and update the policy annually. We also recommended FirstLine not use credit cards for ordinary purchases, which can be made through their purchase requisition system.

Current Status

Resolved. We noted during our audit that FirstLine reduced the number of staff members who had authorized use of FirstLine's credit cards from approximately fifteen (15), as reported in the 2010 management letter, to five (5) top management level employees. FirstLine has a credit card and travel policy that is currently being updated to be more comprehensive.

FIRSTLINE SCHOOLS, INC.
STATUS OF PRIOR YEAR COMMENTS

10-06 Student Activity Accounts

We recommended that FirstLine establish written policy and procedures related to student activity transactions in order to manage the receipt and disbursement of student activity funds and allow for the proper and accurate financial reporting of such transactions.

Current Status

Unresolved. See current year finding 11-01.

This report is intended solely for the information and use of management, the FirstLine Schools, Inc.'s Board of Directors, the Louisiana Recovery District, the Louisiana Legislative Auditor and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2011



FIRSTLINE SCHOOLS

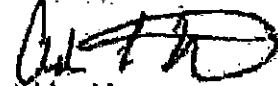
December 20, 2011

To Whom It May Concern,

Please find below FirstLine Schools' response to the FY 2011 audit report prepared by Bruno & Tervalon.

Thank you in advance for your assistance with this matter.

Sincerely,



Adrian Morgan
Chief Operating Officer
FirstLine Schools Inc.

NOTE B - MANAGEMENT ADDENDUM

Due to the positive relationship between FirstLine Schools and TRSL and the collaborative effort by both organizations to resolve this matter without financial penalty to FirstLine, it is the strong belief of FirstLine management that it will not be necessary for FirstLine to pay this debt.

ITEM 11 - 01 - VERIFICATION OF FREE AND REDUCED LUNCH APPLICATIONS

During the past year FirstLine has made significant investments to ensure compliance with verification requirements in the future. At the time of this incident FirstLine did not have any staff dedicated to food service management. As of today, FirstLine has a full-time Director of Food Service and a full-time Food Service Administrative Assistant. In addition, FirstLine has invested in a point of sale (POS) system to facilitate better tracking of free and reduced lunch applications. Under the leadership of the new Food Service Director, all of the appropriate school based staff have been trained to use the system and to comprehensively complete the verification process.

- continued -



ITEM 11 – 02 – HIGHLY QUALIFIED TEACHER REQUIREMENT

The specific incident identified above is the result of a teacher's certification lapsing during the middle of the school year. FirstLine has implemented an internal audit process to identify teachers whose certification may lapse mid-year and to make sure that the appropriate process is followed in order to avoid future lapses in certification.

ITEM 11 – 01 – STUDENT ACTIVITY ACCOUNTS

As of this writing (December 2011) the entirety of the recommendation presented by the auditor has been implemented. A custodial liability account has been established in FirstLine's accounting system and a comprehensive student activities policies and procedures guide has been written and adopted and these policies and procedures are now part of the daily operations at FirstLine Schools.

— end —

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Comment #	Description	Resolved
10-01	Public Bid Law	Yes
10-02	Cash Accounts	Yes
10-03	Month End and Year End Financial Statements	Yes
10-04	Employee Advancements	Yes
10-05	Special Tests and Provisions	Yes
10-06	Allowable Costs	Yes

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Prior Year Comment #</u>	<u>Description</u>	<u>Resolved</u>
10-01	Decrease in Change in Net Assets	Yes
10-02	Donor Contributions	Yes
10-03	Payroll Imprest Account	Yes
10-04	Maintenance of Documents	Yes
10-05	Credit Card and Travel Policies	Yes
10-06	Student Activity Accounts	No